UMSHWATHI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2008

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M.V. Cebekhulu
MUNICIPAL MANAGER

29/08/08
Date

01/09/2008

INDEX	Page
General Information	1
Accounting Officers Report	3
Accounting Policies	4
Statement of Financial Position	13
Statement Of Financial Performance	14
Statement of Changes in Net Assets	15
Cash Flow Statement	16
Notes to the Annual Financial Statements	17
Appendix A: Schedule of External Loans	27
Appendix B: Analysis of Property, Plant and Equipment	28
Appendix C: Segmental Analysis of Property, Plant and Equipment	29
Appendix D: Segmental Statement Of Financial Performance	30
Appendix E (1): Actual versus Budget (Revenue and Expenditure)	31
Appendix E(2) Actual versus Budget (acquisition of Property, Plant and Equipment)	32
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	33

GENERAL INFORMATION

SPEAKER OF COUNCIL : Cllr. G.S. Maseko

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Zondi	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	T.I. Gabela	:	Exco Member

GRADING OF LOCAL AUTHORITY

GRADE ONE (1)

AUDITORS

OFFICE OF THE AUDITOR-GENERAL

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

Main Road
New Hanover
3230

TELEPHONE

033 - 5020282

MUNICIPAL MANAGER

Mr. M.V. Cebekhulu

ACTING CHIEF FINANCIAL 0FFICER

Mr. R.M. Mani

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. S.S. Zondi
PR	:	Cllr. E.W. Eggers
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. V.I. Gumede
PR	:	Cllr. A.G. Solomon
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. T.P. Phakathi
PR	:	Cllr. S.C. Gabela
PR	:	Cllr. D.A. Ndlela
PR	:	Cllr. C.B. Khonney
PR	:	Cllr. V.M. Mncwabe
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. N.P. Nene
W3	:	Cllr. B.E. Mbatha
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. X.F. Maphumulo
W6	:	Cllr. A.T. Thusi
W7	:	Cllr. R. Mungroo
W8	:	Cllr. M.J. Mkhize
W9	:	Cllr. M. Goba
W10	:	Cllr. M.M. Nkala
W11	:	Cllr. B.M. Gwala

MAYOR : **Councillor B.M. Gwala**

DEPUTY MAYOR : **Councillor S.S. Zondi**

APPROVAL OF FINANCIAL STATEMENTS

The annual Financial Statements set out on page 01 to 33 were approved by the Municipal Manager on 27 August 2008 and presented to and approved by Council on 27 August 2008.

MUNICIPAL MANAGER
(Accounting Officer)
27 August 2008

CHIEF FINANCIAL OFFICER

27 August 2008

Accounting Officer's Report

1 OPERATING RESULTS

Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

		2007/2008	2006/2007
1.1	Rate and General Services		
	Expenditure		
	Ordinary	61,674,600	33,437,739
	Capital	0	0
		61,674,600	33,437,739
	Income		
	Assessment Rates	10,073,351	3,135,422
	Other	35,072,870	25,980,059
		45,146,221	29,115,481
	Accumulated Surplus		
	Surplus/(Deficit) for year	-16,528,379	-4,322,258
	Surplus brought forward		16,360,647
		-16,528,379	12,038,389
	Add : Transfer from Funds		
	AFF	0	0
	NDR		4,388,314
	Contributions to bad debt	0	0
	Prior year adjustments	0	0
		-16,528,379	16,426,703
	Less : Contributions to Capital Outlay	0	0
	Contributions to Reserves		-504,445
		-16,528,379	15,922,258

2 CAPITAL EXPENDITURE AND FINANCING

	2007/2008	2006/2007
Expenditure		
Rate and General Services	21,031,598	10,599,580
Water Services	0	0
Public Improvement Fund	0	0
Housing Services	0	0
	21,031,598	10,599,580
Financing		
External Loans	13,693,065	0
Grants and Subsidies	2,469,049	0
Endowments	0	0
Revenue Contributions to Capital Outlay	4,869,484	10,599,580
	21,031,598	10,599,580

3 REVENUE

Rates form only 22% of the total income of the municipality, the remainder of the income is generated by grants and trading services, The Equitable Share received fom National Government forms the bulk of the municipalities income amounting to R 19 353 236.

Interest received on investments and the current amounts is R 734 695 and interest on arrear accounts amounted to R 2 692 239.

4 EXPENDITURE

Employee costs amounts to R15.3 million and forms 32% of total expenditure of the municipality, while repairs and maintenance amounted to R 2 560 435 and forms 5% of total expenditure.

Certain votes have been overspent and were as a result of unforseen expenditure and certain elements of inadequate budget provision.

The large deficit of R 16 528 379 is due to the the Bad Debt Provision of R 13 120 394 and Depreciation of R 5 648 350.

5 WATER AND SEWER SERVICES

The water and sewer assets and related provision for depreciation has been written off the books of the Municipality. Since the the water and sewer debtors are still being administered by the municipality they are retained in the books with a 100% provision for doubtful debt.

Accounting Officer **Date** **27 August 2008**

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
CAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

These accounting policies are consistent with those of the previous financial year except for the comparative amounts that have been restated to the extent possible as per note 31.

The Municipality may have transactions, events or balances that are not covered by the above GRAP and GAMAP .Standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Boards of Generally accepted Accounting Practice issued by the South African Accounting Practice Board (IAS) issued by the International Accounting Standards Boards of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

The Minister of Finance has, in terms of General Notice 552 of 2007 – Gazette 30013 – exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The principal accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied, except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserves (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuing that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

5.4 Donations and Public Contribution Reserve

When items of property, plant and equipment are financed from public contributions and donations a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuing that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation . Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value .If the cost can not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	10	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
		Robots	10
Community		Other items of plant and equipment	3
Buildings	30		
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

In 2007/2008 the requirements of GAMAP 17 and IAS 36 were not complied with as follows:

- Review of useful life of items of property, plant and equipment recognized in the annual financial statements.
- Review of depreciation method applied to property, plant and equipment recognized in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognized in the annual financial statements

This is due to the exemption granted in Gazette 30013 (see note 1)

7. INVESTMENTS

7.1 Financial Instruments

Financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. The basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realizable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overheads costs.

Redundant and slow-moving inventories are identified and written down from cost to net realizable value with regards to their estimated economic or realizable values.

9. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current

10. TRADE CREDITORS

Trade creditors are stated at their nominal value.

11. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

12. REVENUE RECOGNITION

12.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from the sale of goods is recognized when the risk has passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

13. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

14 PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance changes on bank overdraft are expensed as incurred.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. COMPARATIVE INFORMATION

19.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		37,526,568	53,407,527
Housing Development Fund	1	3,017,659	3,304,433
Capital Replacement Reserve			
Capitalisation Reserve		499,269	702,656
Government grant reserve		30,002,379	31,080,434
Donations and public contributions reserve			
Accumulated surplus		4,007,261	18,320,004
Non - current liabilities		16,102,803	0
Long term liabilities	2	16,102,803	
Non - current provisions			
Current liabilities		13,774,603	8,710,901
Consumer deposits			139,199
Provisions			
Creditors	6	5,330,542	2,783,348
Unspent conditional grants and receipts	7	5,337,179	4,881,646
Value Added Tax			
Short term loans			
Bank overdraft	18	1,783,128	906,708
Current portion of long term liabilities	2	1,323,754	
Total Net Assets and Liabilities		**67,403,974**	**62,118,428**
ASSETS			
Non - current assets		52,968,295	41,273,407
Property , plant and equipment	10	52,676,171	40,864,638
Investment property			
Investments			
Long term receivables	13	292,124	408,769
Current assets		14,435,679	20,845,021
Inventory			
Consumer debtors	15	5,541,646	10,188,571
Other debtors	16	1,850,974	1,808,151
Current portion of long term debtors	13	97,374	83,460
Value added tax	8	2,659,787	1,111,459
Call investment deposits	17	4,283,553	7,651,034
Bank balances and cash	30	2,345	2,346
Total Assets		**67,403,974**	**62,118,428**

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

BUDGET				ACTUAL	
2007	2008	REVENUE	Note	2008	2007
3087469	10,056,895	Property rates	19	10,073,351	3,084,776
75000	100,000	Property rates - penalties imposed and collection charges		413,392	84,595
325500	2,078,574	Service charges	20	2,403,606	2,373,237
112500	190,000	Rental of facilities and equipment		167,323	171,378
1200000	1,500,000	Interest earned - external investments		734,695	1,134,770
1000000	1,750,000	Interest earned - outstanding debtors		2,692,239	1,827,392
305000	301,000	Fines		488,487	157,536
0	0	Licences and permits			
725000	1,320,000	Income for agency services		1,596,558	1,175,079
22773644	19,746,000	Government grants and subsidies	21	26,304,204	20,869,644
272000	271683	Other income	22	272,366	210,370
0	0	Public contributions,donated and contributed property,			
0	0	plant and equipment			
		Gain on disposal of property,plant and equipment			199,718
29,876,113	37,314,152	**Total Revenue**		45,146,221	31,288,495
		EXPENDITURE			
9817856	15,842,177	Employee related costs	23	15,302,807	10,764,069
4512323	3,750,700	Remuneration of Councillors	24	3,206,551	3,860,974
0	0	Bad debts		13,120,394	
0	200,000	Collection costs		197,712	
1800000	1,593,400	Depreciation		5,648,350	4,031,410
893500	1,214,500	Repairs and maintenance		2,560,435	2,311,933
260000	1,000,000	Interest paid	25	667,809	112,288
0	0	Bulk purchases			
2780000	4,340,000	Contracted services		4,646,919	3,203,642
0	0	Grants and subsidies paid			
9800965	13,407,375	General expenses		16,323,623	12,668,573
0	0	Loss on disposal of property,plant and equipment			
29,864,644	41,348,152	**Total Expenditure**		61,674,600	36,952,889
11,469	(4,034,000)	**Surplus/(Deficit) for the year**		(16,528,379)	(5,664,394)

Refer to Appendix E .1 for explanation of variances

UMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

2007	Pre-GRAP Reserves and Funds R	Non-distributable Reserves R	Housing Development Fund R	Capital Replacement Reserve R	Capitalisation Reserve R	Government Grant Reserve R	Revaluation Reserve R	Accumulated Surplus R	Total R
Balance at 30 June 2007	7,677,264	26,650,060	3,304,433					15,922,258	53,554,015
Adjust financials to agree to main ledger		5,133,030						(637,677)	4,295,353
	7,677,264	31,783,090	3,304,433					15,084,581	57,849,368
Implementation of GRAP(note 31)	(7,677,264)	(31,783,090)	-	-	702,656	31,080,434		7,677,264	-
Unspent grants adjusted								(4,441,840)	(4,441,840)
Restated balance at 1 July 2007	-	-	3,304,433	-	702,656	31,080,434	-	18,320,005	53,407,528
2008									
Surplus (deficit) for the year								(16,528,379)	(16,528,379)
Prior year adjustments								811,989	811,989
VAT claim - previous year								3,867,787	3,867,787
Capital grants used to purchase PPE						6,189,904		(6,189,904)	-
Housing Development Fund transactions			(286,774)						(286,774)
Transfer to Housing Development Fund									-
Transfer to Water Supply Authority					(93,197)	(3,652,386)			(3,745,583)
Offsetting of Depreciation					(110,190)	(3,615,573)		3,725,763	-
	-	-	3,017,659	-	499,269	30,002,379	-	4,007,261	37,526,568

uMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers,government and other		39,468,302	27,980,711
Cash paid to suppliers and employees		(39,977,626)	(29,667,714)
Cash generated from (utilised in) operations	29	(509,324)	(1,687,003)
Interest received		734,695	1,134,770
Interest paid		(667,809)	
NET CASH FROM OPERATING ACTIVITIES		(442,438)	(552,233)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property,plant and equipment		(21,205,466)	(10,599,580)
Purchase of housing infrastructure			
Proceeds on disposal of property,plant and equipment			259,293
(Increase) decrease in investment properties			
(Increase) decrease in non - current receivables		116,645	379,758
(Increase) decrease in non - current investments			
(Increase) decrease in call investments		3,367,481	
NET CASH FROM INVESTING ACTIVITIES		(17,721,340)	(9,960,529)
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
New loans raised (repaid)/Other Capital Receipts		17,426,557	1,804,882
Increase (decrease) in consumer deposits		(139,199)	8,940
Increase (decrease) in short term loans			
NET CASH FROM FINANCING ACTIVITIES		17,287,358	1,813,822
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(876,420)	(8,698,940)
Cash and cash equivalents at the beginning of the year		(904,363)	7,794,577
Cash and cash equivalents at the end of the year		(1,780,783)	(904,363)
		(876,420)	(8,698,940)

	2008	2007
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund		
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	3,017,859	3,304,433
The Housing Development Fund is represented by the following assets and liabilities		
Property plant and equipment (see note 10)	388,455	492,229
Housing selling scheme loans (see note 13)	791,844	855,422
Housing rental and instalment debtors (see note 15)	165,332	165,332
Debtors - Department of Housing	1,670,895	1,781,450
Bank and cash	3,017,859	3,304,433
Sub - total		
Creditors		
Total Housing Development Fund Assets and Liabilities	3,017,859	3,304,433
2 LONG TERM LIABILITIES		
Capitalised lease liability		
External loans	17,426,557	
	17,426,557	-
Less current portion transferred to current liabilities	(1,323,754)	
	16,102,803	-
3 NON - CURRENT PROVISIONS	-	-
4 CONSUMER DEPOSITS	-	139,196
5 PROVISIONS	-	-
6 CREDITORS		
Trade creditors	1,947,356	728,333
Accrued interest - external loan	242,507	
Staff leave	909,134	687,524
VAT provision	304,400	296,950
Unallocated receipts	836,471	488,631
Payments in advance	818,881	
Sundry loans	116,647	156,390
Retention payable	103,866	547
Deposits other	3,304	3,304
Other creditors	147,944	421,869
	5,330,542	2,783,348
7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
7.1 Conditional grants from other spheres of government	5,337,179	4,881,648
Total conditional grants and receipts	5,337,179	4,881,648
Refer Appendix F		
8 VAT		
VAT refundable	2,859,786	1,111,459
VAT is payable on the receipts basis		
9 SHORT TERM LOANS	-	-

10 PROPERTY,PLANT AND EQUIPMENT

30-Jun-2007

Reconciliation of carrying value	Land and Buildings	Infrastructure	Other	Housing	Total
Carrying value at 1 July 2007					
Cost	18,900,458	34,847,743	7,152,001		58,900,202
Revaluation					
Accumulated depreciation					
- Cost	(1,447,857)	(12,460,421)	(4,107,286)	-	(18,035,564)
- Revaluation					
	15,452,601	22,387,322	3,044,715	-	40,864,638
Acquisitions	5,569,788	3,784,742	2,126,481		11,481,001
Capital under construction	9,191,364	553,101			9,744,465
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(613,393)	(3,899,464)	(1,135,494)	-	(5,648,351)
- based on revaluation					
Carrying value of disposals					

				2008	2007
Cost/revaluation	(268,932)	(7,310,929)	(2,547,825)		(10,097,686)
Accumulated depreciation	100,814	3,733,365	2,517,825		6,352,104
Carrying value at 30 JUNE 2008					
Cost	22,470,226	35,490,844	9,278,492	-	70,007,852
Revaluation					
Accumulated depreciation					
- Cost	(1,960,336)	(12,846,520)	(2,724,965)	-	(17,331,811)
- Revaluation					
	20,509,890	22,754,324	6,553,537	-	52,676,171

Reconciliation of carrying value	Land and Buildings	Infrastr-ucture	Other	Housing	Total
Carrying value at 1 July 2006					
Cost	13,157,819	29,001,452	6,298,795		48,458,066
Revaluation					
Accumulated depreciation					
- Cost	(1,250,571)	(9,438,222)	(3,867,325)		(14,356,118)
- Revaluation					
	11,907,248	19,563,230	2,831,470	-	34,101,948
Acquisitions	3,466,948	5573609	1,559,023		10,599,580
Adjustment					13,544
Capital under construction					
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(15,574)	(2,753,723)	(919,693)		(3,692,990)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation			(157,444)		(157,444)
Accumulated depreciation					
Carrying value at 30 JUNE 2007					
Cost	16,624,767	29,001,452	7,700,374	-	58,900,202
Revaluation					
Accumulated depreciation					
- Cost	(1,270,145)	(12,191,945)	(4,587,013)	-	(18,035,564)
- Revaluation					
	15,354,622	16,809,507	3,113,356	-	40,864,638

Refer to Appendix B for more detail on property, plant and equipment

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been calculated for each category of infrastructure and community assets using global historical costs recorded in the accounting records.

11 INVESTMENT PROPERTY

Valuation

12 INVESTMENTS

Long term

13 LONG TERM RECEIVABLES

Housing loans	389,488	492,229
Less: Short term portion transferred to Sundry Debtors	(97,374)	(83,460)
	292,114	408,769

14 INVENTORY

15 CONSUMER DEBTORS

Balances at 30 June 2008	Gross balance	Provision for doubtful debts	Net balance
Service debtors	4,574,101	4,462,614	111,487
Rates	5,007,995	4,564,360	3,443,635
Housing	781,844		781,844
Other	7,823,022	6,428,342	1,184,680
Total	20,986,962	15,455,316	5,541,646
Balances at 30 June 2007			
Service debtors	3,231,806	782,530	2,449,276
Rates	3,244,389	785,577	2,458,812
Housing	855,422		855,422

		2008	2007
Other	5,838,845	1,413,782	4,425,063
Total	13,170,462	2,561,889	10,188,573

Rates: Ageing	2008	2007
Current (0 - 30 days)	1,346,827	248,031
31 - 60 days	872,389	124,922
61 to 90 days	767,186	87,150
91 - 120 days	457,152	78,941
121 days and over	4,564,381	2,705,345
Total	8,007,935	3,244,389

Refuse and other : Ageing		
Current (0 - 30 days)	1,316,249	1,170,382
31 - 60 days	483,170	338,299
61 to 90 days	360,791	292,601
91 - 120 days	1,366,359	270,043
121 days and over	9,442,398	7,854,748
Total	12,968,967	9,926,073
	20,996,862	13,170,462

The doubtful debts provision is based on the ageing of Debtors.
Council's policy is to provide for all debts
outstanding for 120 days or longer.

18 OTHER DEBTORS

Thokazane housing	1,382,192	973,721
Councillors	144,633	188,633
Department of Housing	185,332	185,332
Other	795,786	488,465
Total other debtors	2,497,943	1,836,151
less: Provision for doubtful debts	646,968	
	1,850,975	1,836,151

	2008	2007
17 CALL INVESTMENT DEPOSITS		
Other deposits	4,283,553	7,851,034
	4,283,553	7,851,034

Funds attributable to Unutilised Conditional Grants must be ringfenced and separately invested. This was not implemented and amounts invested at year end were insufficient to cover the value of Unspent Conditional Grants.

18 BANK,CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -
Account number - 62025429232

Cash book balance at beginning of year (overdrawn)	(906,708)	(1,521,735)
Cash book balance at end of year	(1,783,128)	(906,708)
Bank statement balance at beginning of year	726,988	693,240
Bank statement balance at end of year	381,549	726,988

19 PROPERTY RATES

Actual		
Agricultural	3,875,643	
Residential	2,038,188	
Commercial	1,055,188	
Public service infrastructure	2,737,775	
State	385,381	
Other	1,186	3,084,778
Total assessment rates	10,073,351	3,084,778
Valuations		
Agricultural	1,566,709,100	
Residential	290,751,000	
Commercial	114,892,000	
Public service infrastructure	425,861,000	
State	49,732,000	
Other	18,896,000	
Total property valuations	2,566,841,100	-

20 SERVICE CHARGES

Refuse removal	611,506	325,341
Water, sewer and other charges	1,792,100	2,047,896
	2,403,606	2,373,237

21 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	19,353,236	20,498,844
Clinic subsidy	3,752	371,000
Conditional grants utilised	6,947,216	
	26,304,204	20,869,844
Refer Appendix F		
22 OTHER INCOME	272,366	210,370

	2008	2007
23 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	11,182,531	5,026,154
Employee related costs - contributions to UIF,pension and medical costs	1,948,963	1,220,330
Travel,vehicle,accommodation,subsistence and other allowances	1,002,444	752,858
Housing benefits and allowances	27,280	14,317
Overtime payments	555,439	402,756
Performance bonus		
Long service awards	606,750	347,853
Sub-total	15,302,807	10,764,069
Less Employee costs allocated to Property,Plant and Equipment		
Less Employee costs included in other expenses		
Total employee related costs	15,302,807	10,764,069
There were no loans to employees.		
Remuneration of the Municipal Manager		
Annual remuneration	406,676	295,000
Bonus		
Car allowance	120,000	180,000
Contributions to Medical and Pension Funds and UF	73,324	
	600,000	475,000
Remuneration of the Chief Financial Officer		
Annual remuneration	440,000	264,000
Bonus		
Car allowance		154,000
Contributions to Medical and Pension Funds		22,000
	440,000	440,000

Remuneration of other managers

30-Jun-2007	Corporate Services	Technical Services	Community Services
Annual remuneration	240,000	254400	350000
Bonus	110,000	85800	
Car allowance			
Contributions to Medical and Pension Funds		59800	
	350,000	400,000	350,000
30-Jun-2008			
Annual remuneration	350,000	254,400	350,000
Bonus			
Car allowance		85,800	
Contributions to Medical and Pension Funds		59,800	
	350,000	400,000	350,000

24 REMUNERATION OF COUNCILLORS		
Mayor	465,860	420,429
Deputy Mayor	201,510	187,454
Speaker	200,634	187,454
Executive committee members	379,180	358,120
Councillors	1,957,796	2,707,517
	3,204,800	3,860,974
In - kind benefits		
The Mayor has use of a Council owned vehicle as well as an office for official duties		
25 INTEREST PAID		
External loans	887,809	112,288
Finance leases		
	887,809	112,288
26 BULK PURCHASES		
Electricity and water	-	-
27 GRANTS AND SUBSIDIES PAID		
details applicable		
28 GENERAL EXPENSES		
Extraordinary and/or unforeseen expenses		

	2008	2007
29 CASH GENERATED BY OPERATIONS		
Surplus (deficit) for the year	(15,528,379)	
Deficit - Housing operating account	(288,774)	
Adjustment for :		
Prior year	4,679,776	
Depreciation	5,845,350	
Gain on disposal of property,plant and equipment		
Contributions to provisions- non-current		
Contributions to provisions - current		
Contributions to bad debt provision	13,120,395	
Investment income	(734,696)	
Interest paid	667,809	
Operating deficit before working capital changes	6,566,482	
(Increase) decrease in consumer debtors	(7,826,500)	
(Increase) decrease in other debtors	(689,791)	
(Increase) decrease in VAT debtor	(1,546,328)	
Increase (decrease) in conditional grants and receipts	455,533	
Increase (decrease) in creditors	2,547,194	
(Increase) decrease in current portion of long term debtors	(13,914)	
	(508,324)	-
30 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Bank balances and cash	2,345	2,345
Bank overdraft	(1,783,128)	(906,708)
	(1,780,783)	(904,363)

CHANGE IN ACCOUNTING POLICY- IMPLEMENTATION OF GRAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP :

31 31.1 Statutory funds		
Balance previously reported		
Asset Financing Fund		6,831,359
Housing Development Account		3,139,100
		9,970,459
Implementation of GRAP		
Transferred to Accumulated Surplus - refer note 31.14		6,831,359
Transferred to Housing Development Fund - refer note 31.2		3,304,432
Transferred to Other Debtors refer note 31.11		(185,332)
		9,970,459
31.2 Housing Development Fund		
Balance previously reported		3,139,100
Implementation of GRAP		
Debtor - Dept of Housing brought to account - refer note 31.11		185,332
		3,304,432
31.3 Non - distributable reserves		
Balance previously reported		
Utilised capital receipts		26,650,090
Adjustment to agree to main ledger		5,133,000
		31,783,090
Implementation of GRAP		
Transferred to Capitalisation Reserve - refer note 31.6		702,656
Transferred to Government Grant Reserve - refer note 31.7		31,080,434
		31,783,090
31.4 Reserves		
Balance previously reported		545,903
Maintenance reserve included under provisions - refer note 31.5		300,000
		845,903
Implementation of GRAP		
Transferred to Accumulated Surplus - refer note 31.14		845,903
31.5 Provisions		
Balance previously reported		
Leave		887,524
Less: Maintenance reserve included under provisions - refer note 31.4		(300,000)
		887,524
Implementation of GRAP		
Transferred to Creditors refer note 31.9		887,524
31.6 Capitalisation Reserve		
Balance previously reported		-
Implementation of GRAP		
Transferred from Non - distributable Reserves - refer note 31.3		702,656
31.7 Government Grant Reserve		
Balance previously reported		-
Implementation of GRAP		
Transferred from Non - distributable Reserves - refer note 31.3		31,080,434
31.8 Unspent conditional grants and receipts		
Balance previously reported		-
Implementation of GRAP		
Transferred from Creditors - refer note 31.9		439,806
Transferred from Accumulated Surplus refer note 31.14		4,441,840
		4,881,646
31.9 Creditors		
Balance previously reported		1,772,804
Implementation of GRAP		
Transfer from Debtor - VAT - refer note 31.12		296,950
Transfer from Long term receivables - refer note 31.13		158,381
Transfer from Provisions refer note 31.5		887,524

	2008	2007
Transfer from Other Debtors - refer note 31.11		307,685
Transferred to Unspent Conditional Grants and Receipts - refer note 31.6		(438,806)
		2,783,348
31.10 Consumer Debtors		
Balance previously reported		7,130,833
Implementation of GRAP		
Adjustment to agree to main ledger		2,744,942
Transferred from Debtors - VAT - refer note 31.12		297,701
Transferred from Other Debtors - refer note 31.11		15,295
		10,188,579
31.11 Other Debtors		
Balance previously reported		4,793,849
Implementation of GRAP		
Adjustment to agree to main ledger		(3,443,420)
Transferred to Creditors - refer note 31.9		307,885
Debtor - Dept of Housing brought to account - refer note 31.2		165,932
Transferred to Consumer Debtors - refer note 31.10		(15,295)
		1,808,151
31.12 Debtors - VAT		
Balance previously reported		1,112,210
Implementation of GRAP		
Transferred to Creditors - refer note 31.9		296,950
Transferred to Consumer Debtors - refer note 31.10		(297,701)
		1,111,459
31.13 Long Term Receivables		
Balance previously reported		250,379
Transfer to Creditors – refer note 31.9		158,391
		408,770
31.14 Accumulated Surplus		
Balance previously reported		15,922,256
Implementation of GRAP		
Adjustment to agree to main ledger		(837,677)
Transfer to Creditors - unspent grants (see note 29.6)		(4,441,840)
Transfer from Statutory Funds - refer note 31.1		8,831,359
Transfer from reserves - refer note 31.4		845,903
		18,320,003

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32 32.1 Contributions to organised local government

Opening balance		
Council contributions	82,502	85,313
Amount paid - current year	82,502	85,313
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

	2008	2007
32.2 Audit fees		
Opening balance		
Current year audit fee		
Amount paid current year	940,289	966,159
Amount paid - previous years		
Balance unpaid (included in creditors)		-
32.3 VAT		
Opening balance	1,118,459	337,479
Current year output VAT	(568,036)	(308,793)
Current year input VAT	2,740,067	1,082,773
Amount paid - current year		
Amount refunded by SARS - current	(823,704)	
Amount due by SARS - included in debtors	2,859,786	1,118,459

All VAT returns have been submitted by the due date.

	2008	2007
32.4 PAYE and UIF		
Opening balance		
Current year payroll deductions and Council UIF contributions	1,679,623	1,591,925
Amount paid - current year	1,679,623	1,591,925
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-
32.5 Pension and medical aid deductions		
Opening balance		
Current year payroll deductions and Council contributions	2,724,526	2,118,443
Amount paid - current year	2,724,526	2,118,443
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

32.6 Councillors arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days as at :

30 June 2007	Total	Outstanding less than 90 days	Outstanding more than 90 days
	-	-	-

30 June 2008	Total	Outstanding less than 90 days	Outstanding more than 90 days
	-	-	-

	2008	2007
33 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure	2,496,899	
Land and buildings	472 218	
Refuse disposal site		
Taxi rank		
Community	7,894,894	
Vehicles and equipment		
- approved but not yet contracted for		
Infrastructure	28,227,331	
Land and buildings		
Taxi rank		
Refuse disposal site		
Community	9,870,000	
Vehicles and equipment	1,551,000	
	50,742,341	-
This expenditure will be financed from		
- capital replacement reserve	3,301,000	
- government grants	20,319,830	
- external loans	27,121,511	
-	50,742,341	-

34 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005

34.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

34.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
34.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
34.1.3. the fund was thus 104,3% funded
34.1.4. the fund did not hold an investment reserve.
34.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
34.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit.This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

	2008	2007

34.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

34.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
34.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
34.2.3. the fund was thus 87,7% funded
34.2.4. the fund did not hold an investment reserve
34.2.5. the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments.This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

35 CONTINGENT LIABILITIES

There are no contingent liabilities

36 RELATED PARTY TRANSACTIONS

There are no related party transactions

APPENDIX A
uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2008

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 2007/06/30	Received during the year	Redeemed or written off during the year	Balance at 2008/06/30	Carrying value of property plant & equip.
				R	R	R	R	R
ANNUITY LOAN								
FIRST NATIONAL BANK		Prime less 1,00 %	2018/03/31		5,700,000	68,495	5,631,505	
							0	
DEVELOPMENT BANK		9,4 %			11,795,052		11,795,052	
TOTAL EXTERNAL LOANS				0	17,495,052	68,495	17,426,557	0

APPENDIX B

uMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2008

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2008
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Land and Buildings											
Land	3,488,341	5,232,570	0	90,435	8,630,476	0	0	0	0	8,630,476	6,159,429
Buildings	13,233,620	511,066	9,017,496	0	22,762,182	1,354,295	607,695	1,654	1,960,336	20,801,846	24,822,429
Dams and boreholes	178,497	0	0	178,497	0	93,562	5,698	99,260	0	0	0
	16,900,458	5,743,636	9,017,496	268,932	31,392,658	1,447,857	613,393	100,914	1,960,336	29,432,322	24,822,429
Infrastructure											
Water reticulation	6,806,061	0	0	6,800,161	5,900	3,362,810	313,142	3,672,861	3,091	2,809	0
Sewer reticulation	510,748	0	0	510,748	0	34,246	26,258	60,504	0	0	0
Construction works	27,530,914	3,764,742	553,101		31,848,757	9,083,365	3,560,064		12,643,429	19,205,328	6,094,000
	34,847,743	3,764,742	553,101	7,310,929	31,854,657	12,480,421	3,899,464	3,733,365	12,646,520	19,208,137	6,094,000
Other Assets											
Office and computer equipment	688,313	884,379	0	0	1,572,692	658,368	81,095	0	739,463	833,229	500,000
Furniture and fittings	686,344	613,673	0	0	1,300,017	465,185	33,132	0	498,317	801,700	250,000
Tools	66,795	7,549	0	2,455	71,889	66,794	629	2,455	64,968	6,921	0
Motor vehicles and major equipment	2,709,640	513,732	0	23,746	3,199,626	692,944	409,813	23,746	1,079,011	2,120,615	500,000
Machinery	2,747,668	83,461	0	2,491,624	339,505	2,122,828	596,072	2,491,624	229,276	110,229	0
Air conditioners	127,520	11,400	0	0	138,920	63,823	12,375	0	76,198	62,722	0
Other	125,721	12,297	0	0	138,018	37,345	377	0	37,722	100,296	812,571
	7,152,001	2,126,491	0	2,517,825	6,760,667	4,107,286	1,135,494	2,517,825	2,724,955	4,035,712	2,062,571
Total	58,900,202	11,634,869	9,570,597	10,097,686	70,007,982	18,035,565	5,648,350	6,352,104	17,331,811	52,676,171	32,979,000

APPENDIX C

UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2008

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive and Council	5,869,259	2,714,512	4,227,782	0	12,811,553	986,189	392,262	0	1,388,451	11,423,102
Finance and Admin	14,431,772	6,585,428	0	2,456,432	18,560,768	4,162,021	739,195	1,594,301	3,306,915	15,253,853
Health	72,820	0	0	0	72,820	72,819	0	0	72,819	1
Community & Social Services	856,703	0	0	0	856,703	258,495	50,947	0	309,442	547,261
Public Safety	622,304	230,502	0	0	852,806	356,907	98,870	0	455,777	397,029
Waste Management	3,111,700	0	0	2,435,971	675,729	1,925,547	593,231	2,435,971	82,807	592,922
Road Transport	29,260,564	2,104,427	5,342,615	527,416	35,180,390	7,503,223	3,444,898	77,172	10,870,949	24,309,441
Water	4,670,082	0	0	4,670,082	0	2034528	209,307	2243,835	0	0
Other	1,004,998	0	0	7,785	997,213	725,836	119,640	823	844,653	152,560
	58,900,202	11,634,869	9,570,397	10,097,686	70,007,982	18,036,565	5,648,350	6,352,102	17,331,813	52,676,169

APPENDIX D

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007	2007	2007		2008	2008	2008
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
26,792,859	21,420,517	5,372,342	Executive and Council	31,658,050	39,958,049	(8,299,999)
195,613	4,025,269	(3,829,656)	Finance and Admin	223,264	5,632,427	(5,409,163)
0	0	-	Planning and Development	-	-	-
371,000	636,307	(265,307)	Health	3,752	557,490	(553,738)
49,604	249,262	(199,658)	Community & Social Services	38,564	654,729	(616,165)
0	0	-	Housing	-	-	-
159,179	776,252	(617,073)	Public Safety	487,688	1,307,088	(819,400)
0	0	-	Sport and Recreation	-	-	-
0	0	-	Environmental Protection	-	-	-
508,139	1,214,023	(705,884)	Waste Management	804,267	1,572,243	(767,976)
1,221,889	5,889,917	(4,668,028)	Road Transport	7,639,058	8,295,585	(656,527)
2,041,298	2,690,915	(649,617)	Water	4,291,578	3,577,348	714,230
0	101,513	(101,513)	Other	-	119,641	(119,641)
0	0	-				
31,339,581	**37,003,975**	**(5,664,394)**	**Sub - total**	**45,146,221**	**61,674,600**	**(16,528,379)**
			Less : Inter departmental charges			
31,339,581	**37,003,975**	**(5,664,394)**		**45,146,221**	**61,674,600**	**(16,528,379)**

APPENDIX E (1)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

REVENUE	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of significant variances
Property rates	10,073,351	10,056,895	16,456	0	
Property rates - penalties imposed and collection charges	413,392	100,000	313,392	313	This is mainly due to the increased rates base
Service charges	2,403,806	2,078,574	325,232	15	Income from services was under budgeted
Rental of facilities and equipment	167,323	190,000	(22,677)	(12)	Rental income was over budgeted
Interest earned - external investments	734,695	1,500,000	(765,305)	(51)	The drop is mainly due to decrease in investments and the interest rate
Interest earned - outstanding debtors	2,692,239	1,750,000	942,239	54	Due to increase in debtors and greater non payment
Fines	488,467	301,000	187,467	62	Increased in fines was due to improvement in administration processes
Licences and permits		0	0		
Income for agency services	1,596,556	1,320,000	276,556	21	Due to the more than expected learner licence applications
Government grants and subsidies	28,304,204	19,746,000	8,558,204	33	The variance is due to the inclusion of the MIG allocation in terms of GRAP
Other income	272,366	271663	683	(0)	
Public contributions,donated and contributed property, plant and equipment		0			
Gain on disposal of property,plant and equipment					
Total Revenue	**45,148,221**	**37,314,152**	**7,832,069**	**21**	
EXPENDITURE					
Employee related costs	15,302,807	15,842,177	(539,370)	(3)	All posts budgetd for were not filled
Remuneration of Councillors	3,206,551	3,750,700	(544,149)	(15)	The remuneration budgetad for was higher than what was eventually gazetted
Bad debts	13,120,394	0	13,120,394		The doubtful debt provision was increased in terms of the policy and query raised previously
Collection costs	197,712	200,000	(2,288)	(1)	
Depreciation	5,848,350	1,593,400	4,054,950		Depreciation was grossley under budgeted
Repairs and maintenance	2,560,435	1,214,500	1,345,935	111	The increase is mainly due to the increase in the number of tankers used
Interest paid	667,809	1,000,000	(332,191)	(33)	Due to the fact that the full loan was not claimed in the year
Bulk purchases		0	-		
Contracted services	4,846,919	4,340,000	506,919	7	The brief of certain contracted service providers was increased
Grants and subsidies paid		0	-		
General expenses	16,323,823	13,407,375	2,916,248	22	
Loss on disposal of property,plant and equipment		0			
Total Expenditure	**51,674,800**	**41,348,152**	**20,326,448**	**49**	
Surplus (Deficit) for the year	**(16,526,579)**	**(4,034,000)**	**(12,494,379)**		

APPENDIX E (2)

UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET(ACQUISITION OF PROPERTY,PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual	2008 Under Construction	2008 Total Additions	2008 Budget	2008 Variance	2008 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Infrastructure							
Construction works		4,317,843	4,317,843	7,612,324	(3,294,481)	(43)	The projects are running over two years
	0	4,317,843	4,317,843	7,612,324	(3,294,481)	(43)	
Community Assets							
Land		5,232,570	5,232,570	6,159,429	(926,859)	(15)	
Buildings		9,354,694	9,354,694	24,953,072	(15,598,378)	(63)	The projects have been initiated and carried over
	0	14,587,264	14,587,264	24,953,072	(10,365,808)	(42)	
Other Assets							
Office and accounting machines	884,379		884,379	500,000	384,379	77	More office equipment was required than budgeted
Furniture and fittings	613,673		613,673	250,000	363,673	145	More furniture was required than budgeted
Radios	12,297		12,297		12,297		
Machinery	83,461		83,461		83,461		
Tools	7,549		7,549		7,549		
Air conditioners	11,400		11,400		11,400		
Vehicles	513,732		513,732	500,000	13,732	3	
Other				1,749,858			
	2,126,491	0	2,126,491	2,999,858	(873,367)	(29)	
Total	**2126491**	**18,906,107**	**21031598**	**35,565,254**	**(14,533,656)**	**(41)**	

APPENDIX F

UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

Description	Name of organ of State	Unspent balance at 1 July 2007	Received 2007/2008	Expenditure 2007/2008	Transfer 2007/2008	Unspent balance at 30 June 2008	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions	Reason for non-compliance
		R	R	R	R	R	R		YES/NO	
MIG			5,528,788	(4,484,902)	612,547	1,656,431			YES	
GRANTS - GENERAL			58,025			58,025			YES	
CMIP ROADS		1,397,493		(1,476,913)	79,420	0			YES	
CMIP - CEMETERY		205,353			(79,420)	125,933			YES	
CMIP - OFFICES		-3,500,000			3,500,000	0			YES	
BASIC SERVICES		51,117				51,117			YES	
EQUITABLE SHARE		0	228,089	(228,089)		0			YES	
TRANSITIONAL GRANT		173,754				173,754			YES	
CMIP - OFFICES		3,500,000			-3,500,000	0			YES	
MSIG		-41,804	734,000	(374,166)	41,804	359,834			YES	
DISTRICT COUNCIL		2,097,957			(2,097,957)	0			YES	
INDIGENT SUPPORT		148,897				148,897			YES	
MAP					241,080	241,080			YES	
CCI					4,718	4,718			YES	
TOURISM					100,000	100,000			YES	
FMG					403,709	403,709			YES	
MSIG					136,107	136,107			YES	
HOUSING PLAN					4,811	4,811			YES	
DPLG					594,985	594,985			YES	
PROPERTY RATES		223,130		(500)		222,630			YES	
MFMA		145,000				145,000			YES	
INTER DEPARTMENTAL		92,722		(92,722)		0			YES	
CDW		118,332		(17,362)	(41,804)	59,166			YES	
PLANNING		250,000		(250,000)		0			YES	
REGIONAL COUNCIL- CRECHE		4,063				4,063			YES	
REGIONAL COUNCIL - CEMETERY		990				990			YES	
REGIONAL COUNCIL - TAXI RANK		14,441				14,441			YES	
LED			500,000			500,000			YES	
FINANCE MANAGEMENT			600,000	(168,512)		331,488			YES	
COMMUNITY PARTICIPATION			100,000	(100,000)		0			YES	
		4,881,646	7,648,899	(7,193,386)	0	5,337,179				